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MT LEGISLATIVE HISTORY

Chapter 35 1986

Bill H _____ S 20 Original bill & hist. ___C

H. Committee on Taxation			S. Committee on Taxation		
Hearing Date(s)	June 27	✓C	Hearing Date(s)	June 23	✓C
	_____	___C		June 24	✓C
	_____	___C		_____	___C
	_____	___C		_____	___C
Date Out	June 28	✓C		June 24	✓C

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

Free Conference Committee

June 28 ✓ C

SENATE BILL NO. 20

INTRODUCED BY MCCALLUM, SWIFT, RAPP-SVRCEK, COBB, KEATING, O'HARA, FARRELL, NORMAN, BRANDEWIE, GLASER, PHILLIPS, RAMIREZ, CONNELLY, NATHE, SEVERSON, PATTERSON, CHRISTIAENS, DRISCOLL, BOYLAN, MARKS

IN THE SENATE

June 19, 1986	Introduced and referred to Committee on Taxation.
June 25, 1986	Committee recommend bill do pass as amended. Report adopted.
June 26, 1986	Second reading, do pass.
	Third reading, passed. Ayes, 49; Noes, 0.
	Transmitted to House.

IN THE HOUSE

June 26, 1986	Introduced and referred to Committee on Taxation.
June 28, 1986	Committee recommend bill be concurred in. Report adopted.
	Second reading, concurred in as amended.
	Third reading, concurred in.
	Returned to Senate with amendments.

IN THE SENATE

June 28, 1986	Received from House.
	Second reading, amendments not concurred in.

June 28, 1986	On motion, Conference committee requested and appointed.
	Conference Committee dissolved.
	On motion, Free Conference Committee requested and appointed.
June 30, 1986	Free Conference Committee reported.
	Second reading, Free Conference Committee report adopted.
	On motion, reconsider action on Free Conference Committee report. Taken from third reading and placed on second reading this day.
	Free Conference Committee Report No. 2 reported.
	Second reading, Free Conference Committee Report No. 2 adopted.
	Third reading, Free Conference Committee Report No. 2 adopted. Ayes, 46; Noes, 2.
	Free Conference Committee Report No. 2 adopted by House.
July 1, 1986	On motion, reconsider third reading action on Free Conference Committee Report No. 2. Free Conference Committee Report No. 3 placed on second reading.

July 1, 1986	Second reading, Free Conference Committee Report No. 3 adopted.
	Third reading, Free Conference Committee Report No. 3 adopted. Ayes, 43; Noes, 5.
	Free Conference Committee Report No. 3 adopted by House.
	Sent to enrolling.
	Reported correctly enrolled.

SB BILL NO. 20 Keating O'Hara

INTRODUCED BY McCallum, Smith, Lynch-Smith, Cobb
Brandewie, Shelton, Connelly, Nathe, Latta, Driscoll
Farrell Bishop, Ramirez, Anderson, Christiaens
Norman Boylan Mackay

A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE CRITERIA FOR CLASSIFICATION OF CERTAIN PROPERTY AS CLASS THREE OR CLASS FOUR; TO EXTEND THE APPLICATION DEADLINE FOR REDUCTION IN 1986 VALUATIONS; AMENDING SECTIONS 15-6-134 AND 15-7-202, MCA; AND PROVIDING AN APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) all land except that specifically included in another class;

(b) all improvements except those specifically included in another class;

(c) the first $35,000 or less of the market value of any improvement on real property and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 10 months a year as the primary residential dwelling of any person whose total income from all sources including otherwise tax-exempt income of all types is not more than $10,000 for a single person or $12,000 for a married couple;

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least 9 holes and not less than 3,000 lineal yards;

(e) all land, together with improvements, not devoted to a residential, commercial, industrial, agricultural, or timberland use if:

(i) the land contains more than 5 acres and less than 20 acres; or

(ii) the land contains not more than 5 acres and is precluded from being devoted to residential, commercial, or industrial use because of subdivision or zoning laws, regulations, or ordinances.

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402 or 15-24-1501, property described in subsections (1)(a) and (1)(b) is taxed at the taxable percentage rate "P" of its market value.

(b) Property described in subsection (1)(c) is taxed at the taxable percentage rate "P" of its market value multiplied by a percentage figure based on income and determined from the following table:

Income Single Person	Income Married Couple	Percentage Multiplier
$0 - $1,000	$0 - $1,200	0%
1,001 - 2,000	1,201 - 2,400	10%

2,001 - 3,000	2,401 - 3,600	20%
3,001 - 4,000	3,601 - 4,800	30%
4,001 - 5,000	4,801 - 6,000	40%
5,001 - 6,000	6,001 - 7,200	50%
6,001 - 7,000	7,201 - 8,400	60%
7,001 - 8,000	8,401 - 9,600	70%
8,001 - 9,000	9,601 - 10,800	80%
9,001 - 10,000	10,801 - 12,000	90%

(c) Property described in subsection (1)(d) and (1)(e) is taxed at one-half the taxable percentage rate "P" established in subsection (2)(a).

(3) Until January 1, 1986, the taxable percentage rate "P" for class four property is 8.55%.

(4) Prior to July 1, 1986, the department of revenue shall determine the taxable percentage rate "P" applicable to class four property for the revaluation cycle beginning January 1, 1986, as follows:

(a) The director of the department of revenue shall certify to the governor before July 1, 1986, the percentage by which the appraised value of all property in the state classified under class four as of January 1, 1986, has increased due to the revaluation conducted under 15-7-111. This figure is the certified statewide percentage increase.

(b) The taxable value of property in class four is determined as a function of the certified statewide

percentage increase in accordance with the table shown below.

(c) This table limits the statewide increase in taxable valuation resulting from reappraisal to 0%. In calculating the percentage increase, the department may not consider changes resulting from new construction, additions, or deletions during calendar year 1985.

(d) The taxable percentage must be calculated by interpolation to coincide with the nearest whole number certified statewide percentage increase from the following table:

Certified Statewide Percentage Increase	Class Four Taxable Percentage "P"
0	8.55
10	7.77
20	7.12
30	6.57
40	6.10
50	5.70
60	5.34
70	5.02
80	4.75
90	4.50
100	4.27
110	4.07

Certified Statewide Percentage Increase	Class Four Taxable Percentage "P"
120	3.88
130	3.71
140	3.56
150	3.42
160	3.28
170	3.16
180	3.05
190	2.94
200	2.85
210	2.75
220	2.67
230	2.59
240	2.51
250	2.44
260	2.37
270	2.31
280	2.25
290	2.19
300	2.13

(5) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate "P" until a revaluation has been made as provided in 15-7-111.

(6) Within the meaning of comparable property as

defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property, and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

Section 2. Section 15-7-202, MCA, is amended to read:

"15-7-202. Eligibility of land for valuation as agricultural. (1) Contiguous or noncontiguous parcels of land totaling 20 acres or more under one ownership shall be eligible for valuation, assessment, and taxation as agricultural land each year that none of the parcels is devoted to a commercial or industrial use.

~~(1)~~(2) Contiguous or noncontiguous parcels of land totaling less than 20 acres under one ownership that are actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as herein provided each year the parcels meet any of the following qualifications:

(a) the parcels produce and the owner or the owner's agent, employee, or lessee markets not less than $1,500 in annual gross income from the raising of livestock, poultry, field crops, fruit, and other animal and vegetable matter for food or fiber; or

(b) the parcels would have met the qualification set out in subsection ~~(1)~~(2)(a) were it not for independent intervening causes of production failure beyond the control

of the producer or marketing delay for economic advantage, in which case proof of qualification in a prior year will suffice.

~~(2)--Parcels-that-do-not-meet--the--qualifications--set out--in--subsection-(1)-shall-not-be-classified-or-valued-as agricultural-if-they-are-part-of-a-platted-subdivision--that is--filed--with--the-county-clerk-and-recorder-in-compliance with-the-Montana-Subdivision-and-Platting-Act.~~

(3) Contiguous parcels of land containing less than 20 acres per parcel under differing ownership that are actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as agricultural land each year that the parcels as one combined operating entity meet any of the qualifications in subsection (2).

~~(3)~~(4) Land shall not be classified or valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes.

~~(4)--The-grazing-on-land-by-a-horse--or--other--animals kept--as--a--hobby--and--not--as--a--part--of--a--bona--fide agricultural-enterprise-shall-not-be-considered-a--bona-fide agricultural-operation.~~

(5) If land has been valued, assessed, and taxed as agricultural land in any year, it shall continue to be so valued, assessed, and taxed until the department reclassifies the property. A reclassification does not mean

revaluation pursuant to 15-7-111.

(6) For the purposes of this part, growing timber is not an agricultural use. (Subsection (6) terminates January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

NEW SECTION. Section 3. Application deadline for reduction in 1986 valuation. Notwithstanding the provisions of 15-15-102, the application deadline for reduction in 1986 taxable valuations is August 1, 1986.

NEW SECTION. Section 4. Extension of authority. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act.

NEW SECTION. Section 5. Applicability. This act applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1985.

NEW SECTION. Section 6. Effective date. This act is effective on passage and approval.

-End-

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB 20, Version: As Introduced

Description:
A bill to revise the criteria for classification of certain property as class three or class four.

Assumptions:

	0 - 4.999 ac.	5 - 19.999 ac.	Over 20 ac.
1. Total "undeveloped (bare land)" parcels	17,075	13,173	9,720
Total acres of "undeveloped (bare land)" parcels	28,309	139,920	357,477
Total market value of "undeveloped (bare land)" parcels	$175,025,183	$191,150,573	$276,546,575
2. Total "developed" parcels	23,373	8,783	2,519
Total acres of "developed" parcels	38,216	80,237	94,080
Total market value of "developed" parcels	$289,200,339	$198,686,436	$120,775,002
3. Total improvement value of "developed" parcels	$954,768,715	$394,259,360	$137,406,909

4. Average taxable value of agricultural land is $2.66 per acre.

5. The improvements on land granted agricultural or timber land status by the proposal would be given the 20 percent tax rate reduction for class 14 property.

6. Mill levies are 6 mills for the university levy, 45 mills for the school foundation program and 160.85 mills for local governments (1985 average).

7. The proposal affects 74,643 parcels containing 738,149 acres. It would require 112 (grade 9, step 2) staff members working for four months to review parcels, update records, and provide taxpayer notification.

8. The proposal would require the mailing of 74,643 assessment notices to property owners at a cost of $7,465 for forms and $16,420 for postage.

9. County computers would have to be reprogrammed to accommodate the reduction in tax rate and the value changes at a cost of $20,000.

David L. Hunter 6/24/86

BUDGET DIRECTOR DATE
Office of Budget and Program Planning

George McCallum 6/24/86

PRIMARY SPONSOR DATE

Fiscal Note for

Expenditures:

Personnel (86 payplan incl. benefits) --	$ 723,827
Forms and postage --	23,885
Programming --	20,000
Total	$ 767,712

Fiscal Impact:

As introduced:

a.) Land and improvements on 5 to 20 acres get a 50 percent tax rate reduction.
b.) Land over 20 acres gets agricultural status.
c.) Land under 20 acres with multiple ownership gets agricultural status.

Loss in taxable value --	$57,977,009
Loss in revenue (FY 87):	
University Levy --	$ 347,862
School Foundation Program --	$ 2,608,965
Local Governments --	$ 9,325,602

Alternative options:

Option 1 -- Current Law with :

a.) Land and improvements on 5 to 20 acres get 50 percent tax rate reduction.

Loss in taxable value --	$15,133,060
Loss in revenue (FY 87):	
University Levy --	$ 90,798
School Foundation Program --	$ 680,988
Local Governments --	$ 2,434,153

Option 2 -- Current Law with :

a.) All land over 20 acres get agricultural status.

Loss in taxable value --	$15,200,768
Loss in revenue (FY 87):	
University Levy --	$ 91,205
School Foundation Program --	$ 684,035
Local Governments --	$ 2,445,044

Option 3 -- Current Law with:
a.) All land under 20 acres with multiple ownership gets agricultural status.

Loss in taxable value --	$42,776,241
Loss in revenue (FY 87):	
University Levy --	$ 256,657
School Foundation Program --	$ 1,924,930
Local Governments --	$ 6,880,558

Option 4 -- Current Law with:
a.) Undeveloped (bare) land over 20 acres gets agricultural status.

Loss in taxable value --	$ 9,737,384
Loss in revenue (FY 87):	
University Levy --	$ 58,424
School Foundation Program --	$ 438,182
Local Governments --	$ 1,566,258

Groepper said that three months of the 15 FTEs being cut would be needed. He said that would be, with materials and postage costs, about $109,000. He said that when the amendments were enacted the cost could be detailed.

Senator Hager said that he had waited five hours to talk to an appraiser in Yellowstone County. Mr. Groepper discussed the Department's explanatory meetings in Yellowstone County held on May 2 and 3.

Senator Christiaens closed saying that something must be done quickly. He said that some counties do not even have tax notices out. He urged the committee to pass the bill.

CONSIDERATION OF SB 20: Senator George McCallum, Senate District 26, was recognized as chief sponsor of the bill. He said that SB 20 addresses problems directly, forcefully and to the point. He said the time for parcels of land missed by the Greenbelt legislation would be extended to August 1, 1986. He said that the bill also addressed the value on property not used for agriculture or timber land; and contiguous parcels of land used as a unit even if they were separately owned. He noted that another amendment dealt with small tracts of land not zoned either commercially or residentially. He said the bill is simple, that it handled the problems and that there would be no difficulty with administration of the bill in the Department of Revenue.

PROPONENTS

Representative Bernie Swift, House District 64, said that the bill is straight forward. He said that the reappraisal in his county was arbitrarily done and that no consideration was given to the fact that it would be impossible to use a certain tract of land for the purpose by which it was classified. He said that this bill would give relief without a full boar appraisal process. He said that things like water level needed to be addressed. He said that agricultural land should be valued as such.

Representative John Mercer, Polson, discussed a ranch which had come under separate ownerships though no change in the use of the land had occurred they were taxed differently. He said that the question also arises with family ownership. He said that regardless of the arrangement of the ownership if it was operated as one entity it should be considered such for taxation purposes.

Mr. Bruce A. Nelson, Sr., Montana Association of Realtors and the Montana Association of Home Builders, said that the bill does not go far enough. He said that the taxation in the state precluded people from coming here. He said to have such an enormous tax increase at one time made the Boston Tea Party pale. He said this kind of policy keeps people away from Montana. He said that young people are precluded from buying recreational properties and that rural land is taxed too high. He said that the Legislature is killing the goose that laid the golden egg. He said the incentive

to risk capital is gone. He said that his organizations encouraged a serious look at this.

Mr. Bob Tossen from Great Falls, retired F.B.I. agent, said that he had decided to stay in Montana. He said that he had owned a place near Craig since 1978. He said that he travels for long periods of time and that he had thus missed his chance to appeal the appraisal. He said that taxable value went from $1,308 to $16,505; and from $2,152 to $9,490. He said that anytime the county or state intends to change the classification of a piece of property the land owner should be given adequate notice. He said that notice would have been less costly than the appeals process.

Mr. Harold Poulson, Great Falls, said the protest notice provisions would be negated if SB 20 passes.

Ms. Julie Hacker, Missoula County Freeholders Association, said that her organization supports SB 20.

Representative Paul Rapp-Svrcek, House District 51, said that he was in favor of both SB 19 and SB 20. He said that he had received an education by helping constituents deal with property tax problems. He said that there are currently small farms classified as suburban property in Sanders Co.

OPPONENTS

Mr. Bob Randall, Chairman of the State Tax Appeals Board, said there is a problem with Section 3 of the bill allowing until August 1 for hearing appeals. He suggested amendment to 15-15-102 to change the 15 days to 30 days to delay the appeal process. A few counties have already finished hearing tax appeals, he said. He said that setting them sooner would help the problem. He also called to the committees attention an extreme case south of Livingston where a large subdivision with underground power, water, etc., was leased back to a church group at $22 per parcel.

Ms. Jo Brunner, Montana Grange, said that agriculture continued to protest the inclusion of small non-productive parcels as agricultural land and to calling people farmers when they are not. She said that this skewed agriculture statistics. She said that the Legislature should perhaps look at another class in Class 4 to take care of these small parcels working with the Legislature and the Department of Revenue. She said nothing should be done to change the Greenbelt law.

Mr. Terry Murphy, President of the Montana Farmers Union, said that the Department was building into a new system and needed time to work out the inequities. He said the bill is an overreaction to a problem that is greater in perception than it is in reality. He said that urban people should not be allowed to move out of cities simply to avoid paying taxes. He said when they do this the crop

spraying, the residential dogs and other things become a problem. He said the tax incentive for this to happen needed to be taken away. He said ,that while some blame problems with reappraisal on the Greenbelt bill, that reappraisal has been fair in many instances. He asked the committee not to overreact and throw away some good things.

Mr. Mons Tiegen, Montana Stockgrowers Association, said that the appraisal process and lack of understanding of the issues dictated that the status quo prevail for now. He suggested that a third category for this kind of land needed to be added in the future.

Ms. Lorna Frank, Montana Farm Bureau, said the problem was too complex to address in this session. She said the committee should wait until January 1987.

Mr. Phil Campbell, Montana Education Association, said that they continued to oppose any erosion of the tax base. He said that particular problems could be addressed without eliminating the entire concept.

Mr. Greg Groepper said the Department would present amendments to the bill as some parts of the bill were not workable.

Chairman Towe said that questions would be held for another time.

Senator McCallum closed saying that he had no objection to the proposal Mr. Randall made on the 30-day extension. He said that only farm people needed the farm classification, but that property with water problems or a grade "steeper than a cow's face" that was unproductive should not be excessively taxed. He said those looking at small pieces of property were not all out just for a tax break. He talked about his daughter who was working at another job to try to hang onto their ranch and said that it should not be classified as suburban if they could not meet the needs test. He said the enactment was not what the Legislature had intended and that this bill represented a chance to do what was right.

MOTION: Senator Mazurek moved that the committee reconsider its action of yesterday in not passing SB 13.

He said that the options were being killed and he wanted to table rather than kill the bill. The motion carried unanimously.

MOTION: Senator Mazurek moved that SB 13 be tabled, as amended. With Senator Goodover voting no and all others voting yes, the motion carried.

Chairman Towe adjourned the meeting at 10:03 am.

Thomas E. Towe

Senate Bill 20
Bill Summary

Senate Bill 20 is an act to revise the way certain property is classified in Class 3 and Class 4 to address concerns that have been raised about the impact of Senate Bill 431 on 1986 property taxes. The bill changes the greenbelt law in a couple of ways and also changes how certain idle land is taxed under Class 4. Since the bill would apply to this tax year, the application deadline for reduction in 1986 valuations is extended to August 1, 1986.

There are two changes to the greenbelt law's definition of agricultural land in section 2 of the bill:

First, parcels of land containing 20 acres or more under one ownership get the agricultural land designation as long as the land is not devoted to a commercial or industrial use. The owner does not have to meet the $1500 income test on this size parcel. As drafted, the bill would allow someone to put a house on the land and it would still get the agricultural classification. But, if the land were devoted to a commercial or industrial use, it would lose the agricultural classification.

Second, land under 20 acres would still have to meet the $1500 income test uder existing law, except that contiguous parcels of land could be combined to meet that test even if they were under separate ownership. In order to do that, though, there has to be "one combined operating entity" and the parcels must, in fact, be devoted to agricultural use. This would allow land that has been classified as agricultural to continue under that classification after being divided if the owners continue to operate it as one unit.

Two other minor amendments were made to 15-7-202 to delete meaningless language, in the opinion of the bill drafter:
First, subsection (2) is nonsensical. It says that if land does not meet the $1500 income test it can't be classified as agricultural land, even if it's in a platted subdivision. Subsection (1) makes it perfectly clear that all ag. land must meet the $1500 income test.
Second, subsection (4) is deleted because it is unnecessary to say that grazing hobby animals does not qualify. Again, under existing law the $1500 income test is the only criterion.

The bill also contains amendments to section 15-6-134 to cut the Class 4 tax rate in half for two categories of idle land:

First, land containing more than 5 acres and less than 20 acres as long as it is not devoted to a residential, commercial, industrial, agricultural, or timberland use. This land could contain incidental improvements like corrals, fences, sheds, garages, etc. as long as the land isn't used for a purpose that would put it in another tax category.

Second, land containing not more than 5 acres that is basically unusable because of laws, regulations, or ordinances of the state or local government. This land must be precluded from use as residential, commercial, or industrial. The limited utility of the land should be reflected in appraisals, but the reduced tax rate addresses the belief of many people that this type of property is not being accurately appraised.

This bill has an immediate effective date and applies to this year's tax. The Department of Revenue would have to redo the affected taxpayers' assessments and send them a new notice. For this reason the application deadline for reduction in 1986 taxable valuation is extended to August 1.

SENATE TAXATION
EXHIBIT NO. 3
DATE 06-23-86
BILL NO. S.B. 20

said the Foundation Program was hard hit as Class I and II property decline about $66 million.

Chairman Towe said that proponents and opponents didn't make sense in terms of the resolution. He said that he had spent hours going over the figures and directed the committee's attention to his proposed amendments.

Representative Harp said that the assumptions on income differed between the LFA and OBPP in how they handled agricultural income. He said that institutional reimbursements will take into account settlement of a case with Warm Springs and increase revenues by $225,000 (OBPP) to $300,00 (LFA) annually.

Senator Mazurek asked if a spread sheet could be highlighted and prepared so that it would easily illustrate the difference.

Representative Harp discussed Exhibits 13 and 14 with the Committee. He said that the Department of Revenue believes that the income tax figure should be reduced because of the reduction in the number of auditors.

Senator Towe said that he would do another spread sheet and explanation and go through each of his amendments, but it would be postponed until another time.

Chairman Towe recessed the meeting until following the floor session.

The committee reconvened at 3:40 pm.

CONSIDERATION OF SB 20:

MOTION: Senator McCallum moved that SB 20 do pass.

Senator Mazurek discussed a question he had on the effect of the bill on subdivisions not appraised at market values. He said that he was concerned that the committee do this with its eyes wide open.

Senator McCallum said that amendments had been drafted so that if property does not meet the criteria for improvements, it would be taxed as Class 4. He said that he had no objection to the amendment.

MOTION: Senator Mazurek moved as a substitute motion that SB 20 be amended so that land is taxed at agricultural value but that homes and improvements not get that tax rate unless they clearly met the ag test.

Senator Eck said that she had problems in dealing with the bills at all. She said that farm groups had offered good proposals and that we cannot be changing them recklessly at this time. She said

that changes need to be made, but do not need to be made now.

Senator McCallum said the tracts of land affected could be indentified within ten days, which was ample time for setting budgets at the local level.

Senator Eck asked if his changes had the agreement of the agricultural groups. Senator McCallum said that they were concerned with the criteria to meet the agricultural test. Senator Eck asked if it applied to 20-acre tracts. Senator McCallum said that it dealt with 20 acres and larger. He discussed valuations going from $328 to $48,000, from $45 to $26,000, from $110 to $30,500, from $150 to $37,500. He discussed one 154 acre parcel that went from $1500 to $40,000. He said that the problem needs to be addressed now.

Senator Eck said she had discussed this with the Department of Revenue. She said that the land not capable of agricultural production could be readjusted by the local appraisers. She said that the committee could look at land surrounding communities and compare its value. She said land valued at market value contiguous with agriculture show a great difference and that the disparity is not fully addressed.

Senator Halligan talked about four acres of timber on a steep slope being designated as a surburban tract. He said he still had deep problems with the bill.

Senator Towe said that he had prepared amendments for the bill found in Exhibit 15. These amendments would add two classes of property, one for nonproductive land of 20 acres or more and one for nonproductive land 20 acres or less. These amendments, he said keep good faith with Senator McCallum's intentions. Twenty acres or less that was nonproductive and met the agriculture test would be elgible for this class.

Question was called on Senator Mazurek's motion.

Senator Goodover asked if the amendments answered the problem at Livingston where 89 tracts were subdivided and sold and leased back to the church.

Mr. Gregg Groepper, Department of Revenue, said that the old Greenbelt would qualify that as contiguous. He said that now each parcel must qualify with the $1500 test as individual ownership or that no agricultural relief would occur.

Senator Towe said that it could be contiguous or not as long as it was in the same ownership. Senator Towe and Mr. Groepper discussed this qualification.

Senator Mazurek asked how many parcels would be affected. Mr. Groepper said that there were about 25,000 parcels, but there would be less impact if it was limited to 20 acres and up.

It was clarified that improvements would take the land out of agricultural designation.

Senator Lybeck said that the committee did not have the time in this special session to come to terms with this bill.

In response to a question from Senator Halligan, Mr. Groepper said that 50,000 properties potentially qualify as greenbelt. He said that it would be a nightmare to roll back the taxes to the last year. He said that it would be very difficult for local governments who were setting their budgets based on the new information. He said that in his thinking SB 431 of last session was still pretty fair and workable.

Senator Towe said that the amendments could put an immediate effective date on the class above 20 acres and a later effective date on that below 20 acres.

Senator Brown said that he felt it would help considerably to pass Senator Mazurek's amendments.

Senator Towe said that contiguous ownership was not required with operation of the farm as one entity.

Senator Mazurek said it could also apply only to those parcels that were not contiguous. He said the problem was that it was beginning to affect other taxpayers.

Senator Severson said that there would be no perfect greenbelt bill. He said this was designed to do one thing, to say what was agriculture and what was not. He said the law had not given the Department of Revenue enough of a guideline. He said that SB 20 does come closer to solving the problem. He said looking at history, a good answer had not been arrived at. He said that he preferred a freeze on the thing. He said the next best thing to that was Senator McCallum's bill and that it could be passed and worked again during the coming session. He said that given time this bill would be a good stop gap measure.

Senator Mazurek said what the impact of meeting the test vs. creating two new classes would be. Mr. Groepper said that adding two new classes would be clear. He said the problems with the tax classes could exist in the counties. He said that he was somewhat indifferent, but did not want to have one acre split out.

The committee discussed whether or not they would want to create two new classes or try to grapple with defining the agricultural deduction. Senator Hirsch said that he tended to favor the Towe amendments as a compromise that was liveable.

MOTION: Senator Halligan moved that SB 20 be amended per Exhibit 15.

Senator Goodover asked if the amendments would use the same appraisal as is being used now. Senator Towe said yes, unless it was not in keeping with fair market value and then it could be reduced.

Senator Towe said that basically the amendments created two different classes for land over 20 acres and under 20 acres that did not meet the agriculture test. He said that houses were at 4 percent as in the Mazurek amendment.

Senator Mazurek objected to Section 3 which required the taxpayer to make an application to get the benefit. He said that is the kind of burden that frustrates the taxpayer.

Mr. Groepper said that Class 18 would be easy to determine. He said that in terms of the ordinances of local governments Class 19 would be difficult to tell without application.

Senator Hirsch said that the portion of the bill for less than 20 acres would take separate amendment.

Senator Hager said that a Class 19 would be the only way to preclude subdivision status for that property.

Senator Towe suggested that on amendment 4 the following language be added "or are unusable for commercial, residential, industrial uses for other reasons."

Senator Hager said he would like that language to be added.

Senator Halligan said he would so amend his motion.

Senator Eck asked what the market value policy was on land that the taxpayer could show as not developable. Mr. Greopper said that was easy to designate. He said that adjustments are being made and it would be discounted below market price excepting the residence itself. Senator Towe said that was covered by the change.

Senator Goodover said that this changes the intent of the bill.

Senator McCallum agreed, but said that he did not want to put it off. He said the time element required action to get the bill to the floor of the other house. He said any disagreement could be worked out in conference committee. He said that the bill would be killed if another hearing were asked for. He said that the bill was not just for his district, but was necessary all over the state. He said there was no simple remedy to cure the ailment and asked the committee to vote first for the Towe amendments and then for the bill.

Senator Severson said the committee could not do the correct thing in this amount of time. He said the matter needs committee work.

Senator Neuman clarified that land under covenant would fall into the new Class 19 property class.

Senator Towe said that he felt it critically needed to be done. He asked if the committee want to give those property taxpayers a 50 percent break or no break at all. He said the compromise is to put the land in a separate classification so that it would be constitutionally clear. He said that the bill without amendment would be subject to a court challenge.

Question on the amendment was called. Senators Brown, Goodover and Mazurek voted no. All others voted aye. The motion carried.

Senator Mazurek said that he was concerned about the time for appeal and was concerned that this was an appraisal problem, not a classification problem.

Senator Towe said that 15 days after receipt of notice or by August 1 was the appeals deadline, whichever came later. He said that Class 18 the Department would do automatically and that Class 19 had until August of this year and that there was good language in Senator Christiaens' bill.

Senator Mazurek suggested a specific exception to 15-15-102.

MOTION: Senator Mazurek moved that SB 20 be amended to clarify the appeal deadlines to 15 days or August 1 whichever was later.

The motion carried unanimously.

Chairman Towe then called a question on the original motion to pass the bill. Senator Goodover voted no, all else voted aye. The motion carried.

Chairman Towe adjourned the meeting.

Thomas E. Towe
Chairman

na

Amend Senate Bill 20, introduced copy

1. Title, line 5.
Following: "AS"
Strike: "CLASS THREE OR"

2. Title, line 6.
Following: "FOUR;"
Insert: "TO ESTABLISH A NEW CLASS EIGHTEEN PROPERTY FOR NONPRODUCTIVE REAL PROPERTY CONTAINING 20 ACRES OR MORE; TO ESTABLISH A NEW CLASS NINETEEN PROPERTY FOR REAL PROPERTY CONTAINING UNDER 20 ACRES THAT IS RENDERED NONPRODUCTIVE BY LAND USE LAWS;"

3. Title, line 7.
Following: "AMENDING"
Strike: "SECTIONS 15-6-134 AND 15-7-202"
Insert: "SECTION 15-8-111"

4. Page 1, line 12 through line 4, page 8.
Following: the enactment clause
Strike: sections 1 and 2 in their entirety
Insert: "NEW SECTION. Section 1. Class eighteen property -- description -- taxable percentage. (1) Class eighteen property includes parcels of nonproductive real property containing 20 or more contiguous acres under one ownership that do not qualify as agricultural land, timberland, or commercial or industrial property.

(2) Improvements to class eighteen property are taxed as class four property.

(3) Class eighteen property is taxed at 2% of its market value.

NEW SECTION. Section 2. Class nineteen property -- description -- taxable percentage. (1) Class nineteen property includes parcels of nonproductive real property containing less than 20 acres that are precluded from being developed for residential, commercial, or industrial purposes because of subdivision or zoning laws, regulations, or ordinances.

(2) Improvements to class nineteen property are taxed as class four property.

(3) Class nineteen property is taxed at 2% of its market value.

NEW SECTION. Section 3. Application for classification as class nineteen property. A person applying for classification of property as class nineteen property shall make an affidavit to the department of revenue, on a form provided by the department without cost, stating:

(1) that the property is precluded from being developed for residential, commercial, or industrial purposes because of subdivision or zoning laws, regulations, or ordinances;

Exhibit 15 -- SB 20
June 24, 1986

(2) what law, regulation, or ordinance precludes such use;

(3) what determinations, if any, by a governmental entity have been made to substantiate the application for classification as class nineteen property; and

(4) such other information as is relevant to the application or as may be required by the department.

Section 4. Section 15-8-111, MCA, is amended to read:

"15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as provided in subsection (5) of this section and in 15-7-111 through 15-7-114.

(2) (a) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(b) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools, implements, and machinery; and vehicles of all kinds, including but not limited to aircraft and boats and all watercraft, is the average wholesale value shown in national appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The department of revenue shall prepare valuation schedules showing the average wholesale value when no national appraisal guide exists.

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in 15-6-134 through 15-6-140, ~~and~~ 15-6-145 through 15-6-147, and [sections 1 and 2], except:

(a) the wholesale value for agricultural implements and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment dealers association, St. Louis, Missouri; and

(b) for agricultural implements and machinery not listed in the official guide, the department shall prepare a supplemental manual where the values reflect the same depreciation as those found in the official guide.

(4) For purposes of taxation, assessed value is the same as appraised value.

(5) The taxable value for all property in classes four through eleven and fifteen through ~~seventeen~~ nineteen is the percentage of market value established for each class of property in 15-6-134 through 15-6-141, ~~and~~ 15-6-145 through 15-6-147, and [sections 1 and 2].

(6) The assessed value of properties in 15-6-131 through 15-6-133 is as follows:

(a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503.

SENATE TAXATION
EXHIBIT NO. 15
DATE 01-24-86

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-143, under class thirteen, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when valued as timberland.

(7) Land and the improvements thereon are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town.

(8) The taxable value of all property in 15-6-131 and classes two, three, and thirteen is the percentage of assessed value established in 15-6-131(2), 15-6-132, 15-6-133, and 15-6-143 for each class of property. (Subsections (3)(a) and (3)(b) applicable to tax years beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985. Subsection (6)(d) and references in (8) to class thirteen and 15-6-143 terminate January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

NEW SECTION. Section 5. Codification instruction. Sections 1 through 3 are intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15 apply to sections 1 through 3.

Renumber: subsequent sections

SENATE TAXATION
EXHIBIT NO. 15
DATE 06-24-86

STANDING COMMITTEE REPORT

June 24, 1986

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No 20

first reading copy (white color)

REVISE CRITERIA FOR CLASSIFICATION OF CERTAIN PROPERTY AS CLASS 3 OR CLASS 4

(MC CALLUM)

Respectfully report as follows: That Senate Bill No. 20

Be amended as follows:

1. Title, line 5.
Following: "AS"
Strike: "CLASS THREE OR"

2. Title, line 6.
Following: "FOUR;"
Insert: "TO ESTABLISH A NEW CLASS EIGHTEEN PROPERTY FOR NONPRODUCTIVE REAL PROPERTY CONTAINING 20 ACRES OR MORE; TO ESTABLISH A NEW CLASS NINETEEN PROPERTY FOR REAL PROPERTY CONTAINING LESS THAN 20 ACRES AND THAT IS RENDERED NONPRODUCTIVE BY LAND USE LAWS;"

3. Title, line 7.
Following: "AMENDING"
Strike: "SECTIONS 15-6-134 AND 15-7-202"
Insert: "SECTION 15-8-111"

4. Page 1, line 17 through line 4, page 8.
Following: the enactment clause
Strike: sections 1 and 2 in their entirety
Insert: "NEW SECTION. Section 1. Class eighteen property -- description -- taxable percentage. (1) Class eighteen property includes parcels of nonproductive real property containing 20 or more contiguous acres under one ownership that do not qualify as agricultural land, timberland, or commercial or industrial property.
(2) Improvements to class eighteen property are taxed as class four property.
(3) Class eighteen property is taxed at 3% of its market value.

(continued)

Chairman.

June 24, 1986
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NEW SECTION. Section 2. Class nineteen property -- description -- taxable percentage. (1) Class nineteen property includes parcels of nonproductive real property containing less than 20 acres that are precluded from being developed for residential, commercial, or industrial purposes because of subdivision or zoning laws, regulations, or ordinances or that are precluded from being so developed for other reasons.

(2) Improvements to class nineteen property are taxed as class four property.

(3) Class nineteen property is taxed at 3% of its market value.

NEW SECTION. Section 3. Application for classification as class nineteen property. A person applying for classification of property as class nineteen property shall make an affidavit to the department of revenue, on a form provided by the department without cost, stating:

(1) that the property is precluded from being developed for residential, commercial, or industrial purposes because of subdivision or zoning laws, regulations, or ordinances or for other reasons;

(2) what law, regulation, or ordinance or other reason precludes such use;

(3) what determinations, if any, by a governmental entity have been made to substantiate the application for classification as class nineteen property; and

(4) such other information as is relevant to the application or as may be required by the department.

Section 4. Section 15-8-111, MCA, is amended to read:

"15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as provided in subsection (5) of this section and in 15-7-111 through 15-7-114.

(2) (a) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(b) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools, implements, and machinery; and vehicles of all kinds, including but not limited to aircraft and boats and all watercraft, is the average wholesale value shown in national appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The department of revenue shall prepare valuation schedules showing the average wholesale value when no national appraisal guide exists.

(continued)

June 24, 1986

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in 15-6-134 through 15-6-140, and 15-6-145 through 15-6-147, and [sections 1 and 2], except:

(a) the wholesale value for agricultural implements and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment dealers association, St. Louis, Missouri; and

(b) for agricultural implements and machinery not listed in the official guide, the department shall prepare a supplemental manual where the values reflect the same depreciation as those found in the official guide.

(4) For purposes of taxation, assessed value is the same as appraised value.

(5) The taxable value for all property in classes four through eleven and fifteen through ~~seventeen~~ nineteen is the percentage of market value established for each class of property in 15-6-134 through 15-6-141, and 15-6-145 through 15-6-147, and [sections 1 and 2].

(6) The assessed value of properties in 15-6-131 through 15-6-133 is as follows:

(a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503.

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-143, under class thirteen, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when valued as timberland.

(7) Land and the improvements thereon are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town.

(continued)

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(8) The taxable value of all property in 15-6-131 and classes two, three, and thirteen is the percentage of assessed value established in 15-6-131(2), 15-6-132, 15-6-133, and 15-6-143 for each class of property. (Subsections (3)(a) and (3)(b) applicable to tax years beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985. Subsection (6)(d) and references in (8) to class thirteen and 15-6-143 terminate January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

NEW SECTION. Section 5. Codification instruction. Sections 1 through 3 are intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15 apply to sections 1 through 3.

Renumber: subsequent sections

5. Page 8, line 2.
Following: "1986"
Insert: ", or 15 days after receipt by the taxpayer of a revised notice of classification and appraisal"

D AS AMENDED
O PASS

20AM.TXT

TOWE, Chairman

MINUTES OF THE MEETING
TAXATION COMMITTEE
49TH LEGISLATURE
SPECIAL SESSION III
HOUSE OF REPRESENTATIVES

June 27, 1986

The eighth meeting of the taxation committee was called to order in room 312-1 of the capitol on the above date at 3:30 p.m. by chairman Gerry Devlin.

ROLL CALL: All members were present as were Dave Bohyer, researcher for the legilative council, and Alice Omang, secretary.

CONSIDERATION OF SENATE BILL 20: Senator McCallum, senate district 26, explained that this bill, which revises the criteria for classification of certain property as class four, was amended by Senator Towe and the amendments were adopted by the committee and the senate. He informed the committee that these amendments placed land with less than twenty acres in a new classification, but left the building in class four. He indicated that there were two classes - class eighteen and class nineteen.

Senator McCallum further stated that the reason he put this bill in is because when the appraisals came out, everyone was upset; and he would advise all of the legislators that when the appraisals come out in their county, that they should hang up the phone or take it off the hook - or something. He stated that there was a taxpayer in Mineral county, who had 155 acres and the valuation on the land went from $143 to $35,000. He explained that the land was almost as steep as a wall, there was not a building site on it, there is no water on it and about the only use for this land was by the elk and deer in the winter time.

He gave many other examples of appraisals that had increased tremendously in his area.

PROPONENTS: Senator Swift, co-sponsor of this bill, read from an exerpt from the Independent Record, which was entitled, "Taxed to Death", and which said, "we

have barely survived four years of depression in the valley, we, along with all Montanans who own property, are being given the coup de grace." He said that one parcel of 189 acres, which is 22 miles south of Ennis and which is still completely undeveloped, and on which they have allowed their neighbor's cattle to graze completely free of charge, and since they cannot show the $1,500 annual income which qualifies this for agriculture classification, the assessment had jumped from just over $700 last year to over $287,000 this year - an increase of about 409 times. He asked how can this be justified on a piece of property.

He submitted that there was another parcel of 17 acres four miles from Ennis, that earned $600 grazing last year, and that piece of property went up nine times in value.

He advised there was another parcel, which was ten acres and 35 miles south of Ennis, was assessed for 433 times what the previous year's assessed value was.

He informed the committee of how his own valuation was increased ten times and when he checked at the courthouse, it was so busy that they couldn't take care of the people and this bill will give those people that were turned away an opportunity now by extending the date so they can address some of their concerns.

He stated that the amendments by Senator Towe basically gutted the bill and he proposed to amend this bill back to the way it was originally written with two exceptions. He distributed exhibit 1, which is the proposed amendments, to the committee. He advised that this bill in its original form had three categories of property. He contended that the revenue department has arbitrarily taken those tracts that

did not qualify for the $1500 for the reduction requirements and they arbitrarily set them up as residential suburban with the increases that he mentioned. He advised that this amendment would allow some relief on classifying some of those lands as agricultural rather than residential suburban and it makes a category of land from five to twenty acres, reducing the market value by one-half, and there will be some discussion on senate bill 19, which will give them (the committee) the reason for that, because they feel that one of the basic problems with the tax approach they have used is that the market value in the appraisals eschewed materially.

He explained the fiscal note to the committee and advised them of the fiscal impact of this bill.

Representative Mercer, house district 50, testified that, from what he can tell from the numerous complaints he has received, there is the problem of the green belt, which is creating some incredibly unfair tax increases. He noted what Senator Towe did to this bill and felt that he had destroyed the ability for them to get much relief. He advised of a 20 acre tract, called the Black Lake Ranch, which is on Flathead Lake, and each one of these tracts are owned by different people and they take them all and put them into a grazing association. He continued that it is just about impossible to prove $1500 income off each one of those lots and their lots have gone from the agricultural valuation of around $100 to from $20,000 to $40,000 valuations.

Julie Hacker, representing the Missoula County Freeholders and a group of property owners living next door and some people living in Frenchtown, stated that they support this bill with the Towe amendments removed. She advised that, in her own neighborhood, the parents have divided the land off for their kids, it is a very mountainous area and they

are being hit with enormous tax increases because of reevaluation by the department of revenue.

Dennis Burr, representing the Montana Taxpayers' Association, stated that they support this bill and Representative Swift's amendments. He felt that they may have gotten a little off base with the $1500 requirement. He advised that a lady in Lewis and Clark county called him and they have a ranch, wherein they took 40 acres and deeded 20 acres to each one of their sons and the tax on those 20 acres now are something approaching $20,000.

Terry Murphy, representing the Montana Farmers' Union, stated that he was a proponent of the bill as it was amended by the senate and an opponent of changing it back to its original form. He clarified that there are a lot of horror stories going around about valuations, until you sit down with your calculator and figure what the taxes will be, and in most cases, things are nowhere near as horrible. He stressed that this is a 12-year-old program and the new classifications that were amended in by the senate committee seem to be a logical way to deal with this land that somehow is not agriculture anymore, i.e., not purchased for the purpose of agriculture, but yet has not become commercial or residential.

Jo Bruner, representing the Montana Grange, testified that they support this bill as it came to this committee and they are sincerely concerned about all the excessive evaluations, but they see no fairness in putting non-agricultural land back into an agricultural classification, simply because they do not fit into a subdivision - they surely do not fit into agriculture either.

Lorna Frank, representing the Montana Farm Bureau, said that they agree with the bill as it is amended and they hope the committee will pass this bill as the senate did.

There were no further proponents.

OPPONENTS: There were none.

QUESTIONS ON SENATE BILL 20: Representative Cohen asked what is going on here and could someone from the department explain this.

Gregg Groepper, administrator of the property assessment division of the department of revenue, said that this bill as they have it before them, gets at maybe the bulk of the complaints that have reached his desk and tries to find something that approaches fairness.

Representative Cohen asked if they put all these amendments in, would this destroy the bill.

Mr. Groepper responded that he thought they would be back approximately to the fiscal note that was drawn for this bill the first time around. He indicated that he understood that, if you adopt the bill the way it was originally drafted, then you need to add up all the totals that are there including the improvements and if they adopt the bill as it is before them, it looks as though you would generate a reduction in taxes of about $1.2 million statewide. In its present form, it would probably have a minimum fiscal impact, he advised, but if you take out those amendments, the fiscal impact is substantial.

Representative Gilbert noted on page 8, line 25, it stated, "class nineteen property includes parcels of nonproductive real property containing less than 20 acres that are precluded from being developed for residential, commercial or industrial purposes because of subdivision or zoning laws, regulations, or ordinances or that are precluded from being so developed for other reasons" and he asked if "subdivision and zoning laws" is this just because the law would not allow that property to be subdivided.

Mr. Groepper replied that this would be his interpretation, i.e., if someone had 20 acres with a house

on it, but they couldn't take an additional benefit from the remaining 19 acres through subdivision because it was in a floodplain or some ordinance that said they couldn't go lower than 20 acres, he understood that this would allow them to take the buildings and perhaps an acre of land at market value as the homesite and they would discount the other 19 acres at one-half the tax rate.

Representative Gilbert asked about the words, "for other reasons" and wondered if one of those reasons could be that the person who owns the land does not want to develop it - would that be a valid reason, because he thought this was very important.

Mr. Groepper answered that he sat in on the senate taxation meeting and he thought that the intent of adding "for other reasons" was that there might be some other thing come up that they had not anticipated through an ordinance - something that would cause that land not to be able to be resold for purposes for which it was purchased. He continued that he did not think the senate taxation committee thought that just the idea that a person did not want to develop that land or he did not want to subdivide it would be reason enough to reduce the value. He indicated that what they were looking for specifically was some regulated government impediment that would stop a person from using that land for any purpose which they chose.

Representative Gilbert asked if he were to buy 19 acres with the sole intention of having a buffer zone or some private land for myself with no intention of subdividing, but the land was subdividable because of the terrain, water conditions, etc., that he would not get any consideration and would be considered suburban residential.

Mr. Groepper responded that as he understands the wording based on the testimony and reflections of

the senate taxation committee, he would feel that their intent was that there had to be an established impediment - not just the individual's desire not to do that.

Representative Gilbert queried again that if he had 19 acres and it would meet subdivision criteria, if someone wanted to subdivide it, but he had no intention to subdivide it, and it was assessed as residential, how would they tax it.

Mr. Groepper replied that the way this bill is written right now, he thought they would value it at market value just like it would be if you passed Senator McCallum's bill and you had more than 20 acres, but they would not apply the 2% tax rate to that additional land because you don't have some regulated impediment against it.

Representative Gilbert asked if it would be taxed at 3.86%.

Mr. Groepper replied, "That is correct."

Representative Gilbert indicated that these amendments put on by senate taxation have taken away exactly what they have tried to obtain for the citizens of the state and Senator Towe and his committee have gutted the bill, taking away the reason they wanted the bill to start with - that reason being to give those people who have those acreages who want to keep them for personal use with no intention to subdivide, commercialize, industrialize or agriculturalize that property.

Mr. Groepper responded that, if you don't make $1500 worth of income, you do not get the agricultural classification, as per the law right now, and therefore, are treated the same as all other class four property taxpayers based on the value of the land.

Representative Ellison asked how would 20-acre tracts be treated that have covenants that say they can't be further subdivided.

Mr. Groepper replied that, as he understands, if there is a covenant, he would suspect that would be one of the other reasons - if you buy the land and the covenants remain, as long as those covenants are in effect, then under this bill, as it is written now, you would petition the department and they would take the land not used for the homesite and put that into another class.

Representative Ream asked if the $1500 criteria for agriculture land still holds whether it is 20 acres or less.

Mr. Groepper answered that is correct and they now have people with less than 5 acres that qualify as agriculture that did not before because they can meet $1500.

There were no further questions.

Senator McCallum indicated that they are talking about any tract that does not bring in $1500 or more so if any of them (the committee) own any acres or a section of ground for which they are not receiving any money, but it is agricultural land, they are going to be taxed as suburban tract, and that is an unjustice and that is why he wanted to go to 20 acres, because above 20 acres, he did not consider it a tract.

The hearing on this bill closed.

CONSIDERATION OF SENATE BILL 19: Senator Christiaens, senate district 17, distributed suggested amendments to senate bill 19 (exhibit 3) and a copy of an assessment sheet (exhibit 4), which went out from one of the counties. This bill requires a county tax appeal board review of exceptional increases in assessments before placement on assessment books; requires

DISPOSTION OF SENATE BILL 19: Representative Raney moved that this bill BE CONCURRED IN.

Representative Raney moved the adoption of the amendments submitted by Senator Christiaens.

Representative Sands indicated that he thought there were a lot of other amendments that have to be made to clean up this bill.

The motion to adopt the amendments passed unanimously.

Mr. Bohyer indicated that there were some amendments needed to clean this bill up and Representative Williams moved to have Mr. Bohyer put in the amendments needed to clean the bill up.

The motion carried unanimously.

A vote was taken on the motion that the bill BE CONCURRED IN AS AMENDED. The motion passed unanimously.

DISPOSITION OF SENATE BILL 20: Representative Williams moved that this bill BE CONCURRED IN with no amendments.

Representative Gilbert made a substitute motion to adopt the amendments that were brought in by the sponsor and co-sponsor.

Representative Ream noted that in going through these, he thought there were some legal problems and he could not support the amendments.

A vote was taken on the adoption of the amendments and the motion failed with a vote of 8 voting no and 11 voting yes. See roll call vote no. 1.

A vote was taken on the motion to BE CONCURRED IN with no amendments. The motion carried with Representatives Switzer, Gilbert, Ellison, Asay and Hanson voting no.

STANDING COMMITTEE REPORT

June 28, 19 85

Mr. Speaker: We, the committee on TAXATION

report SENATE BILL 20

☐ do pass
☐ do not pass

☒ be concurred in
☐ be not concurred in

☐ as amended
☐ statement of intent attached

GERRY DEVLIN, Chairman

TO REVISE THE CRITERIA FOR CLASSIFICATION OF CERTAIN PROPERTY AS CLASS THREE OR CLASS FOUR; ETC.

Third reading copy (blue color)

EXHIBIT 1
BB 20
June 27, 1987
Sen. Swift

Amend SB 20, Third Reading Copy

1. Title.
Following: line 8
Insert: "CLASS THREE OR"

2. Title, lines 9 through 13.
Following: "FOUR;" on line 9
Strike: remainder of line 9 through "LAWS;" ON LINE 13

3. Title, line 15.
Following: "~~15-7-202~~"
Strike: "SECTION 15-8-111"
Insert: "SECTIONS 15-6-134, 15-6-144, AND 15-7-202"

4. Page 8, line 14 through line 25, page 12.
Following: line 13
Strike: sections 1 through 5 in their entirety
Insert: "Section 1. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) all land except that specifically included in another class;

(b) all improvements except those specifically included in another class;

(c) the first $35,000 or less of the market value of any improvement on real property and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 10 months a year as the primary residential dwelling of any person whose total income from all sources including otherwise tax-exempt income of all types is not more than $10,000 for a single person or $12,000 for a married couple;

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least 9 holes and not less than 3,000 lineal yards.

(e) all land, together with improvements, not devoted to a residential, commercial, industrial, agricultural, or timberland use if:

(i) the land contains more than 5 acres and less than 20 acres; or

(ii) the land contains not more than 5 acres and is precluded from being devoted to residential, commercial, or industrial use because of subdivision or zoning laws, regulations, or ordinances.

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402 or 15-24-1501, property described in subsections (1)(a) and (1)(b) is taxed at the taxable percentage rate "P" of its market value.

(b) Property described in subsection (1)(c) is taxed at the taxable percentage rate "P" of its market value multiplied by a percentage figure based on income and determined from the following table:

Income Single Person	Income Married Couple	Percentage Multiplier
$0 - $1,000	$0 - $1,200	0%
1,001 - 2,000	1,201 - 2,400	10%
2,001 - 3,000	2,401 - 3,600	20%
3,001 - 4,000	3,601 - 4,800	30%
4,001 - 5,000	4,801 - 6,000	40%
5,001 - 6,000	6,001 - 7,200	50%
6,001 - 7,000	7,201 - 8,400	60%
7,001 - 8,000	8,401 - 9,600	70%
8,001 - 9,000	9,601 - 10,800	80%
9,001 - 10,000	10,801 - 12,000	90%

(c) Property described in subsection (1)(d) and (1)(e) is taxed at one-half the taxable percentage rate "P" established in subsection (2)(a).

(3) Until January 1, 1986, the taxable percentage rate "P" for class four property is 8.55%.

(4) Prior to July 1, 1986, the department of revenue shall determine the taxable percentage rate "P" applicable to class four property for the revaluation cycle beginning January 1, 1986, as follows:

(a) The director of the department of revenue shall certify to the governor before July 1, 1986, the percentage by which the appraised value of all property in the state classified under class four as of January 1, 1986, has increased due to the revaluation conducted under 15-7-111. This figure is the certified statewide percentage increase.

(b) The taxable value of property in class four is determined as a function of the certified statewide percentage increase in accordance with the table shown below.

(c) This table limits the statewide increase in taxable valuation resulting from reappraisal to 0%. In calculating the percentage increase, the department may not consider changes resulting from new construction, additions, or deletions during calendar year 1985.

(d) The taxable percentage must be calculated by interpolation to coincide with the nearest whole number certified statewide percentage increase from the following table:

Certified Statewide Percentage Increase	Class Four Taxable Percentage "P"
0	8.55
10	7.77
20	7.12
30	6.57
40	6.10

for valuation, assessment, and taxation as agricultural land each year that none of the parcels is devoted to a commercial or industrial use.

~~(1)~~ (2) Contiguous or noncontiguous parcels of land totaling less than 20 acres under one ownership that are actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as herein provided each year the parcels meet any of the following qualifications:

(a) the parcels produce and the owner or the owner's agent, employee, or lessee markets not less than $1,500 in annual gross income from the raising of livestock, poultry, field crops, fruit, and other animal and vegetable matter for food or fiber; or

(b) the parcels would have met the qualification set out in subsection ~~(1)~~(2)(a) were it not for independent intervening causes of production failure beyond the control of the producer or marketing delay for economic advantage, in which case proof of qualification in a prior year will suffice.

~~(2) Parcels that do not meet the qualifications set out in subsection (1) shall not be classified or valued as agricultural if they are part of a platted subdivision that is filed with the county clerk and recorder in compliance with the Montana Subdivision and Platting Act.~~

(3) Land shall not be classified or valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes.

~~(4) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide agricultural enterprise shall not be considered a bona fide agricultural operation.~~

(5) If land has been valued, assessed, and taxed as agricultural land in any year, it shall continue to be so valued, assessed, and taxed until the department reclassifies the property. A reclassification does not mean revaluation pursuant to 15-7-111.

(6) For the purposes of this part, growing timber is not an agricultural use. (Subsection (6) terminates January 1, 1991--sec. 10, Ch. 681, L. 1985.)

Renumber: subsequent sections

50	5.70
60	5.34
70	5.02
80	4.75
90	4.50
100	4.27
110	4.07
120	3.88
130	3.71
140	3.56
150	3.42
160	3.28
170	3.16
180	3.05
190	2.94
200	2.85
210	2.75
220	2.67
230	2.59
240	2.51
250	2.44
260	2.37
270	2.31
280	2.25
290	2.19
300	2.13

(5) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate "P" until a revaluation has been made as provided in 15-7-111.

(6) Within the meaning of comparable property as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property, and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

Section 2. Section 15-6-144, MCA, is amended to read:

"15-6-144. Class fourteen property -- description -- taxable percentage.(1) Class fourteen property includes all improvements on ~~agricultural~~ land that is eligible for valuation, assessment, and taxation as agricultural land under~~,-as-defined-in~~ 15-7-202(2). Class fourteen property includes 1 acre of real property beneath the agricultural improvements. The 1 acre shall be valued at market value.

(2) Class fourteen property is taxed at 80% of the taxable percentage applicable to class four property."

Section 3. Section 15-7-202, MCA, is amended to read:

"15-7-202. Eligibility of land for valuation as agricultural. (1) Contiguous or noncontiguous parcels of land totaling 20 acres or more under one ownership shall be eligible

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FREE CONFERENCE COMMITTEE
SENATE BILL 20
June 28, 1986

The Senate and House Free Conference Committee for the 49th Legislature, Third Special Session, on Senate Bill 20 was called to order at 7:10 P.M. on June 28, 1986, by Chairman Joe Mazurek in Room 331 of the Capitol Building.

ROLL CALL: All committee members were present, Representatives Swift, Mercer, Keenan and Schye and Senators Mazurek, McCallum and Boylan.

CONSIDERATION OF REPRESENTATIVE MERCER'S AMENDMENT ON PAGE 13, SECTION 2, of the attached white copy of SB 20 (Exhibit 1): Representative Mercer said his amendment was an attempt to allow that if a tract of land is over 20 acres or more and wasn't commercial or industrial, it would still be tested at the agricultural value and not automatically receive the agricultural classification. The way it is right now those residences that would be built on this land would get the agricultural tax break. He wants them to be taxed as class 14.

Representative Mercer said for purposes of discussion he would move to delete "or noncontiguous" on page 13, line 5, and then do whatever is necessary to see that any improvements on that property are taxed as class 14 with the 80% tax.

Jim Lear said what you would be doing would be bringing in section 15-6-144, class 14 property, as defined.

Senator Mazurek said what you are saying is if a person had a 20 acre piece of land he would still have to pass the income test to get the agriculture rate on the house.

Representative Mercer said that would be the intent and what he would want this to do.

Senator Mazurek questioned whether that is legal and whether we will create problems by taxing the land as agricultural but by not giving the full benefit to the residence.

Jim Lear said the question is are we treating within one class of property another class of property. There is only one test for class 4 and that would be the income test.

Senator Mazurek said in everything over 20 acres the land will be valued at agriculture but to get the 20% reduction you still would have to meet the income test.

Representative Mercer's motion to amend section 2 on line 5 by striking "or noncontiguous" carried.

Representative Mercer made a motion to insert section 15-6-144, which would be amended to read "Class fourteen property includes all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202(2)." The effect of this motion is to say your house will be eligible for the 20% reduction only if it meets the agricultural income test.

Representative Mercer's motion carried.

CONSIDERATION OF REPRESENTATIVE COBB'S AMENDMENT CHANGING $1500 to $1000 on page 13, line 16 (per attached Exhibit 1): Representative Mercer said Representative Cobb's amendment reduced the income test from $1500 to $1000. The purpose of this amendment was to try to make it easier to qualify for the greenbelt; however, this would require the county to go back and check on those applications, plus there would be other people that may have been able to qualify.

Representative Mercer made a motion that the House recede from the Cobb amendment and go back to the $1500 limit. The motion carried.

CONSIDERATION OF REPRESENTATIVE SWIFT'S AMENDMENT ON PAGE 7, LINES 10-13 (per attached Exhibit 1): Senator Mazurek said this places all land, together with improvements, with acreage between 5 and less than 20 acres, at the same tax level as golf courses. His understanding of the effect of this is any parcel from five to less than twenty acres would be entitled to a 50% reduction.

Representative Swift said this was his amendment and the reason for that amendment was, particularly in his area and he has heard it elsewhere, that in quite a number of districts lands have been shifted placing a high market value on them. He said these are lands that are more or less non-productive. He said this will impact the budget. All you need to do is look at the fiscal note and you can see what is being done.

Representative Keenan asked if a new fiscal note would be required.

John LaFaver said of course there would be a fiscal impact back on the revenue that they expect. He said we do not have the operation money to carry this out.

Representative Keenan asked what would the operational costs be.

John LaFaver said we have a time problem that even if we had all the money to do the work, that we would not have the time. We have reservations that it could be done, but to get it done would take a lot of money being spent in a very short period of time.

Senator Mazurek understands the concern of Representative Swift but believes this is an appraisal problem.

Representative Swift agrees that this is an appraisal problem, valuation problem, and that is the very reason it is here. There is no consideration given for the use of the land.

Representative Schye asked if Representative Swift thought SB 19 would help some of the appraisal problems.

Representative Swift said SB 19 allows for an extension of time but does not change how the appraisal has been viewed.

Senator Mazurek said under SB 19 if the value has gone up more than 180% there will be a review by the County Tax Appeal Board to look at the values. If they weren't class 4 before they may not look at that on this.

Representative Swift said his point in addressing this particular section of this bill was because these properties (5 to less than 20 acres) didn't get consideration as other properties did and their appraisal will increase in value and the actual value of the land is not reflected.

Senator Mazurek understands the concern and feels that extending the deadline to August 1 for the purpose of concerned people who do not understand their appraisal is helpful in this area. He asked how difficult it would be to simply notify these people that were in agriculture before that they may appeal and have until August 1 to do this.

Greg Groepper said we could incorporate this with SB 19 to notify these people.

Representative Mercer would like to see some kind of notification process. He thinks it could almost be as basic as putting Mr. Groepper on the television or radio telling them about this. He would be in favor of some kind of notice.

Representative Swift said to notify those people and give some attention to the problem is good but it will not alleviate the problem of real market value in these situations.

Mr. Groepper said the average tract land statewide runs between $1,000 and $1,500 an acre. He said we could notify people whose land value increased above a statewide average.

Senator McCallum suggested sending out a news release to all weekly papers.

Mr. Groepper said we have done the news release once and he is sure they could send it out again.

Senator Mazurek asked if a county average could be used instead of a statewide average.

Mr. Groepper said it could be done by county average on the computer. We have the ability to do that. We could notify everybody in the county, on 5 to less than 20 acres, whose value increased more than the county average.

Senator Mazurek made a motion to amend SB 20 on page 19, line 15, section (7) following "APPRAISAL" to insert ", whichever is later". He feels this motion is necessary to make this consistent with the language, as far as the deadline, in SB 19. The motion carried.

Representative Mercer made a motion that the House recede from its amendments on line 10-13, page 7 (Swift amendment 6/28/86). The motion carried with Representative Swift voting no.

Representative Mercer would move to amend the bill, and the title if necessary, to require a renotification to taxpayers as follows: "Land valued in excess of average county land value -- renotification to taxpayer. For persons paying taxes on real property containing more that 5 acres but less than 20 acres, the department of revenue shall notify each taxpayer whose land value for 1986 due to reclassification to class four by application of 15-7-202 exceeds the average value per acre for such land in the taxpayer's county. The new notice must fully inform the taxpayer as to the reasons for the new notice, including the cause of the increase in value, the right to appeal to the county tax appeal board, and the extension of time for appeal."

Senator Mazurek said the letter should state the current value of the property, that it exceeds the average county value per acre, that the legislature has extended the appeal deadline and that their land has increased as a result of the reclassification.

Representative Mercer's motion carried unanimously.

Senator McCallum moved that the committee report be adopted. The motion carried unanimously.

There being no further business the meeting adjourned at 7:55 P.M.

SENATOR MAZUREK, CHAIRMAN

ah

SENATE BILL NO. 20

INTRODUCED BY MCCALLUM, SWIFT, RAPP-SVRCEK, COBB, KEATING, O'HARA, FARRELL, NORMAN, BRANDEWIE, GLASER, PHILLIPS, RAMIREZ, CONNELLY, NATHE, SEVERSON, PATTERSON, CHRISTIAENS, DRISCOLL, BOYLAN, MARKS

A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE CRITERIA FOR CLASSIFICATION OF CERTAIN PROPERTY AS ~~CLASS THREE OR~~ CLASS FOUR; ~~TO ESTABLISH A NEW CLASS EIGHTEEN--PROPERTY--FOR NONPRODUCTIVE--REAL PROPERTY CONSISTING 20 ACRES OR MORE;--TO ESTABLISH A NEW CLASS NINETEEN PROPERTY--FOR--REAL--PROPERTY CONSISTING---LESS---THAN--20--ACRES--AND--THAT--IS--RENDERED NONPRODUCTIVE BY LAND USE LAWS~~ TO REVISE THE ELIGIBILITY OF LAND FOR VALUATION AS AGRICULTURAL; TO EXTEND THE APPLICATION DEADLINE FOR REDUCTION IN 1986 VALUATIONS; AMENDING ~~SECTIONS--15-6-134--AND--15-7-202~~ SECTION SECTIONS 15-6-134, 15-7-202, AND 15-8-111, MCA; AND PROVIDING AN APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

~~Section 1. Section 15-6-134, MCA, is amended to read:~~

~~"15-6-134. Class four property description taxable percentage. (1) Class four property includes:~~

~~(a) all land except that specifically included in another class;~~

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~~(b)--all---improvements---except---those---specifically included-in-another-class;~~

~~(c)--the--first--$35,000-or-less-of-the-market-value-of any-improvement-on-real-property-and--appurtenant--land--not exceeding--5--acres--owned--or---under---contract-for-deed-and actually-occupied-for-at-least--10--months--a--year--as--the primary--residential--dwelling--of--any--person--whose-total income--from--all--sources--including--otherwise--tax-exempt income--of--all--types-is-not-more-than-$19,000-for-a-single person-or-$13,000-for-a-married-couple;~~

~~(d)--all-golf-courses,-including-land-and--improvements actually-and-necessarily-used-for-that-purpose,-that-consist of--at--least-9-holes-and-not-less-than-3,000-lineal-yards;~~

~~(e)--all-land,-together-with-improvements,-not--devoted to--a--residential,-commercial,-industrial,-agricultural,-or timberland-use-if:~~

~~(i)--the-land-contains-more-than-5-acres-and-less--than 20-acres,-or~~

~~(ii)--the--land--contains--not--more-than-5-acres-and-is precluded-from-being-devoted-to-residential,-commercial,--or industrial--use--because--of--subdivision--or--zoning--laws, regulations,-or-ordinances;~~

~~(2)--Class-four-property-is-taxed-as-follows:~~

~~(a)--Except-as-provided-in--15-24-1402--or--15-24-1501, property-described-in-subsections-(1)(a)-and-(1)(b)-is-taxed~~

Exhibit 1
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at-the-taxable-percentage-rate-"P"-of-its-market-value.

(b)--Property--described--in-subsection-(1)(c)-is-taxed at-the-taxable-percentage--rate--"P"--of--its--market--value multiplied--by--a--percentage--figure--based--on--income-and determined-from-the-following-table:

Income Single Person	Income Married Couple	Percentage Multiplier
$0-----$17,000	$0-----$17,200	0%
17,001-----27,000	17,201-----27,400	10%
27,001-----37,000	27,401-----37,600	20%
37,001-----47,000	37,601-----47,800	30%
47,001-----57,000	47,801-----67,000	40%
57,001-----67,000	67,001-----77,200	50%
67,001-----77,000	77,201-----87,400	60%
77,001-----87,000	87,401-----97,600	70%
87,001-----97,000	97,601---107,800	80%
97,001---107,000	107,801---127,000	90%

(c)--Property-described-in-subsection-(1)(d) and-(1)(e) is--taxed--at--one-half--the--taxable--percentage--rate--"P" established-in-subsection-(2)(a).

(3)--Until-January-1,-1987,-the-taxable-percentage-rate "P"-for-class-four-property-is-8.55%.

(4)--Prior--to--July-1,-1987,-the-department-of-revenue shall-determine-the-taxable-percentage-rate--"P"--applicable to--class--four-property-for-the-revaluation-cycle-beginning

Exhibit 1
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January 1, 1987, as follows:

(a) The director of the department of revenue shall certify to the governor before July 1, 1987, the percentage by which the appraised value of all property in the state classified under class four as of January 1, 1987, has increased due to the revaluation conducted under 15-7-111. This figure is the certified statewide percentage increase.

(b) The taxable value of property in class four is determined as a function of the certified statewide percentage increase in accordance with the table shown below.

(c) This table limits the statewide increase in taxable valuation resulting from reappraisal to 6%. In calculating the percentage increase, the department may not consider changes resulting from new construction, additions, or deletions during calendar year 1985.

(d) The taxable percentage must be calculated by interpolation to coincide with the nearest whole number certified statewide percentage increase from the following table:

Certified Statewide Percentage Increase	Class Four Taxable Percentage "P"
0	8.55
10	7.77
20	7.12

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Certified Statewide Percentage Increase	Class Four Taxable Percentage "P"
30	6.57
40	6.10
50	5.70
60	5.34
70	5.02
80	4.75
90	4.50
100	4.27
110	4.07
120	3.88
130	3.71
140	3.56
150	3.42
160	3.28
170	3.16
180	3.05
190	2.94
200	2.85
210	2.75
220	2.67
230	2.59
240	2.51
250	2.44

Certified Statewide Percentage Increase	Class Four Taxable Percentage "P"
25%	2.37
27%	2.31
28%	2.25
29%	2.19
30%	2.13

(5) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate "P" until a revaluation has been made as provided in 15-7-111.

(6) Within the meaning of comparable property as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property, and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

SECTION 1. SECTION 15-6-134, MCA, IS AMENDED TO READ:

"15-6-134. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) all land except that specifically included in another class;

(b) all improvements except those specifically included in another class;

(c) the first $35,000 or less of the market value of any improvement on real property and appurtenant land not

exceeding 5 acres owned or under contract for deed and actually occupied for at least 10 months a year as the primary residential dwelling of any person whose total income from all sources including otherwise tax-exempt income of all types is not more than $10,000 for a single person or $12,000 for a married couple;

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least 9 holes and not less than 3,000 lineal yards;

(e) all land, together with improvements, not devoted to a residential, commercial, industrial, agricultural, or timberland use if the land contains more than 5 acres and less than 20 acres.

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402 or 15-24-1501, property described in subsections (1)(a) and (1)(b) is taxed at the taxable percentage rate "P" of its market value.

(b) Property described in subsection (1)(c) is taxed at the taxable percentage rate "P" of its market value multiplied by a percentage figure based on income and determined from the following table:

Income Single Person	Income Married Couple	Percentage Multiplier
$0 - $1,000	$0 - $1,200	0%
1,001 - 2,000	1,201 - 2,400	10%

2,001 - 3,000	2,401 - 3,600	20%
3,001 - 4,000	3,601 - 4,800	30%
4,001 - 5,000	4,801 - 6,000	40%
5,001 - 6,000	6,001 - 7,200	50%
6,001 - 7,000	7,201 - 8,400	60%
7,001 - 8,000	8,401 - 9,600	70%
8,001 - 9,000	9,601 - 10,800	80%
9,001 - 10,000	10,801 - 12,000	90%

(c) Property described in ~~subsection~~ subsections (1)(d) and (1)(e) is taxed at one-half the taxable percentage rate "P" established in subsection (2)(a).

(3) Until January 1, 1986, the taxable percentage rate "P" for class four property is 8.55%.

(4) Prior to July 1, 1986, the department of revenue shall determine the taxable percentage rate "P" applicable to class four property for the revaluation cycle beginning January 1, 1986, as follows:

(a) The director of the department of revenue shall certify to the governor before July 1, 1986, the percentage by which the appraised value of all property in the state classified under class four as of January 1, 1986, has increased due to the revaluation conducted under 15-7-111. This figure is the certified statewide percentage increase.

(b) The taxable value of property in class four is determined as a function of the certified statewide

percentage increase in accordance with the table shown below.

(c) This table limits the statewide increase in taxable valuation resulting from reappraisal to 0%. In calculating the percentage increase, the department may not consider changes resulting from new construction, additions, or deletions during calendar year 1985.

(d) The taxable percentage must be calculated by interpolation to coincide with the nearest whole number certified statewide percentage increase from the following table:

Certified Statewide Percentage Increase	Class Four Taxable Percentage "P"
0	8.55
10	7.77
20	7.12
30	6.57
40	6.10
50	5.70
60	5.34
70	5.02
80	4.75
90	4.50
100	4.27
110	4.07
120	3.88

Certified Statewide Percentage Increase	Class Four Taxable Percentage "P"
130	3.71
140	3.56
150	3.42
160	3.28
170	3.16
180	3.05
190	2.94
200	2.85
210	2.75
220	2.67
230	2.59
240	2.51
250	2.44
260	2.37
270	2.31
280	2.25
290	2.19
300	2.13

(5) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate "P" until a revaluation has been made as provided in 15-7-111.

(6) Within the meaning of comparable property as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as

Ex. #1
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commercial property, and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

~~Section 2. Section 15-7-202, MCA, is amended to read:~~

~~"15-7-202. Eligibility of land for valuation as agricultural. (1) Contiguous or noncontiguous parcels of land totaling 20 acres or more under one ownership shall be eligible for valuation, assessment, and taxation as agricultural land each year that none of the parcels is devoted to a commercial or industrial use.~~

~~(1)~~(2) ~~Contiguous or noncontiguous parcels of land totaling less than 20 acres~~ under one ownership that are actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as herein provided each year the parcels meet any of the following qualifications:

~~(a) the parcels produce and the owner or the owner's agent, employee, or lessee markets not less than $1,500 in annual gross income from the raising of livestock, poultry, field crops, fruit, and other animal and vegetable matter for food or fiber, or~~

~~(b) the parcels would have met the qualification set out in subsection (1)(2)(a) were it not for independent intervening causes of production failure beyond the control of the producer or marketing delay for economic advantage, in which case proof of qualification in a prior year will~~

suffice.

(2)--Parcels--that--do--not-meet-the-qualifications-set out-in-subsection-(1)-shall-not-be-classified-or--valued--as agricultural--if-they-are-part-of-a-platted-subdivision-that is-filed-with-the-county-clerk-and--recorder--in--compliance with-the-Montana-Subdivision-and-Platting-Act.

(3)--Contiguous-parcels-of-land-containing-less-than-20 acres-per-parcel-under-differing-ownership-that-are-actively devoted-to-agricultural-use-shall-be-eligible-for-valuation, assessment, and-taxation-as-agricultural-land-each-year-that the-parcels-as-one-combined-operating-entity-meet-any-of-the qualifications-in-subsection-(2).

(3)(4)--Land--shall--not--be--classified--or--valued-as agricultural-if-it-is-subdivided--with--stated--restrictions prohibiting-its-use-for-agricultural-purposes.

(4)--The--grazing--on--land-by-a-horse-or-other-animals kept--as--a--hobby--and--not--as--a--part--of--a--bona--fide agricultural-enterprise-shall-not-be-considered-a--bona-fide agricultural-operation.

(5)--If--land--has--been-valued,-assessed,-and-taxed-as agricultural-land-in-any-year,-it-shall-continue--to--be--so valued,---assessed,---and---taxed---until---the---department reclassifies-the-property.-A-reclassification-does-not--mean revaluation-pursuant-to-15-7-111.

(6)--For--the--purposes-of-this-part,-growing-timber-is

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~~not-an-agricultural-use.--(Subsection-(6)-terminates-January 1,-1991--sec.-13,-Ch.-681,-L.-1985.)~~"

SECTION 2. SECTION 15-7-202, MCA, IS AMENDED TO READ:

"15-7-202. Eligibility of land for valuation as agricultural. (1) Contiguous (or noncontiguous) parcels of land totaling 20 acres or more under one ownership shall be eligible for valuation, assessment, and taxation as agricultural land each year that none of the parcels is devoted to a commercial or industrial use.

~~(2)~~(2) Contiguous or noncontiguous parcels of land totaling less than 20 acres under one ownership that are actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as herein provided each year the parcels meet any of the following qualifications:

(a) the parcels produce and the owner or the owner's agent, employee, or lessee markets not less than ~~$1,500~~ $1,000 in annual gross income from the raising of livestock, poultry, field crops, fruit, and other animal and vegetable matter for food or fiber; or

(b) the parcels would have met the qualification set out in subsection ~~(2)~~(2)(a) were it not for independent intervening causes of production failure beyond the control of the producer or marketing delay for economic advantage, in which case proof of qualification in a prior year will suffice.

~~(3)~~(3) Parcels that do not meet the qualifications set out in ~~subsection~~ subsections (1) and (2) shall not be classified or valued as agricultural if they are part of a platted subdivision that is filed with the county clerk and recorder in compliance with the Montana Subdivision and Platting Act.

~~(3)~~(4) Land shall not be classified or valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes.

~~(4)~~(5) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide agricultural enterprise shall not be considered a bona fide agricultural operation.

~~(5)~~(6) If land has been valued, assessed, and taxed as agricultural land in any year, it shall continue to be so valued, assessed, and taxed until the department reclassifies the property. A reclassification does not mean revaluation pursuant to 15-7-111.

~~(6)~~(7) For the purposes of this part, growing timber is not an agricultural use. (Subsection (6) (now (7)) terminates January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

~~NEW-SECTION.--SECTION-1.--CLASS--EIGHTEEN--PROPERTY----DESCRIPTION-----TAXABLE--PERCENTAGE.-----(1)--CLASS--EIGHTEEN PROPERTY--ENCUMBERS--PARCELS--OF--NONPRODUCTIVE-REAL-PROPERTY CONTAINING-20-OR-MORE-CONTIGUOUS-ACRES-UNDER--ONE--OWNERSHIP~~

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~~YEAR--BE--NOT--QUALIFY--AS-AGRICULTURAL-LAND,--TIMBERLAND,-OR COMMERCIAL-OR-INDUSTRIAL-PROPERTY.~~

~~(2)--IMPROVEMENTS-TO-CLASS-EIGHTEEN-PROPERTY-ARE--TAXED AS-CLASS-FOUR-PROPERTY.~~

~~(3)--CLASS--EIGHTEEN--PROPERTY--IS--TAXED--AT-2%-OF-ITS MARKET-VALUE.~~

Non-Ag prod. under 20 -

NEW SECTION. SECTION 3. CLASS NINETEEN - EIGHTEEN PROPERTY -- DESCRIPTION -- TAXABLE PERCENTAGE. (1) CLASS NINETEEN EIGHTEEN PROPERTY INCLUDES PARCELS OF NONPRODUCTIVE REAL PROPERTY CONTAINING LESS THAN 20 ACRES THAT ARE PRECLUDED FROM BEING DEVELOPED FOR RESIDENTIAL, COMMERCIAL, OR INDUSTRIAL PURPOSES BECAUSE OF SUBDIVISION OR ZONING LAWS, REGULATIONS, OR ORDINANCES OR THAT ARE PRECLUDED FROM BEING SO DEVELOPED (FOR OTHER REASONS).

(2) IMPROVEMENTS TO CLASS NINETEEN EIGHTEEN PROPERTY ARE TAXED AS CLASS FOUR PROPERTY.

(3) CLASS NINETEEN EIGHTEEN PROPERTY IS TAXED AT 2% OF ITS MARKET VALUE.

NEW SECTION. SECTION 4. APPLICATION FOR CLASSIFICATION AS CLASS NINETEEN EIGHTEEN PROPERTY. A PERSON APPLYING FOR CLASSIFICATION OF PROPERTY AS CLASS NINETEEN EIGHTEEN PROPERTY SHALL MAKE AN AFFIDAVIT TO THE DEPARTMENT OF REVENUE, ON A FORM PROVIDED BY THE DEPARTMENT WITHOUT COST, STATING:

(1) THAT THE PROPERTY IS PRECLUDED FROM BEING

DEVELOPED FOR RESIDENTIAL, COMMERCIAL, OR INDUSTRIAL PURPOSES BECAUSE OF SUBDIVISION OR ZONING LAWS, REGULATIONS, OR ORDINANCES OR FOR OTHER REASONS;

(2) WHAT LAW, REGULATION, OR ORDINANCE OR OTHER REASON PRECLUDES SUCH USE;

(3) WHAT DETERMINATIONS, IF ANY, BY A GOVERNMENTAL ENTITY HAVE BEEN MADE TO SUBSTANTIATE THE APPLICATION FOR CLASSIFICATION AS CLASS ~~NINETEEN~~ EIGHTEEN PROPERTY; AND

(4) SUCH OTHER INFORMATION AS IS RELEVANT TO THE APPLICATION OR AS MAY BE REQUIRED BY THE DEPARTMENT.

technical to conform new class

SECTION 5. SECTION 15-8-111, MCA, IS AMENDED TO READ:

"15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as provided in subsection (5) of this section and in 15-7-111 through 15-7-114.

(2) (a) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(b) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools, implements, and machinery; and vehicles of all kinds, including but not limited to aircraft and boats and all watercraft, is the average wholesale value shown in national appraisal guides and manuals or the value of the vehicle before

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reconditioning and profit margin. The department of revenue shall prepare valuation schedules showing the average wholesale value when no national appraisal guide exists.

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in 15-6-134 through 15-6-140, ~~and~~ 15-6-145 through 15-6-147, and [~~sections 1 and 2~~ SECTION 3], except:

(a) the wholesale value for agricultural implements and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment dealers association, St. Louis, Missouri; and

(b) for agricultural implements and machinery not listed in the official guide, the department shall prepare a supplemental manual where the values reflect the same depreciation as those found in the official guide.

(4) For purposes of taxation, assessed value is the same as appraised value.

(5) The taxable value for all property in classes four through eleven and fifteen through ~~seventeen~~ nineteen EIGHTEEN is the percentage of market value established for each class of property in 15-6-134 through 15-6-141, ~~and~~ 15-6-145 through 15-6-147, and [~~sections 1 and 2~~ SECTION 3].

(6) The assessed value of properties in 15-6-131

through 15-6-133 is as follows:

(a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503.

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-143, under class thirteen, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when valued as timberland.

(7) Land and the improvements thereon are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town.

(8) The taxable value of all property in 15-6-131 and classes two, three, and thirteen is the percentage of assessed value established in 15-6-131(2), 15-6-132, 15-6-133, and 15-6-143 for each class of property.

(Subsections (3)(a) and (3)(b) applicable to tax years beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985. Subsection (6)(d) and references in (8) to class thirteen and 15-6-143 terminate January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

NEW SECTION. SECTION 6. CODIFICATION INSTRUCTION. SECTIONS ~~1 THROUGH~~ 3 AND 4 ARE INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 15, CHAPTER 6, PART 1, AND THE PROVISIONS OF TITLE 15 APPLY TO SECTIONS ~~1 THROUGH~~ 3 AND 4.

NEW SECTION. Section 7. Application deadline for reduction in 1986 valuation. Notwithstanding the provisions of 15-15-102, the application deadline for reduction in 1986 taxable valuations is August 1, 1986, OR 15 DAYS AFTER RECEIPT BY THE TAXPAYER OF A REVISED NOTICE OF CLASSIFICATION AND APPRAISAL, whichever later

NEW SECTION. Section 8. Extension of authority. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act.

NEW SECTION. Section 9. Applicability. This act applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1985.

NEW SECTION. Section 10. Effective date. This act is effective on passage and approval.

-End-